

e-Health Insurance Stonestep Nepal

1. DEVELOPMENT RELEVANCE

Economic and poverty context

The United Nations designates Nepal as a least developed country of lower middle-incomeⁱⁱⁱ. Its economy is largely dependent on remittances and agriculture.

The latest Findex survey (2017) describes an economically vulnerable population:

- 46% Saved any money in the past year
- 12% Saved for old age
- 53% Borrowed from friends or family
- 26% Borrowed for health / medical purposes

Insurance penetration by the standard measure of premiums over GDP is considered “negligible” at 1.79%^{iv}.

As of 2020, mobile money prevalence in Nepal remained in the bottom 40% of peer markets according to GSMA.^v

Table 1 ⁱ : Population and economic indicators	
Population in million (2021)	29.7
GDP growth (2020)	-2.1%
Inflation (2021)	4.1%
Trade balance (% of GDP) (2020)	-27.1%
Foreign direct investment (net) (% of GDP) (2020)	0.4%
Net ODA received (% of GNI) (2019)	3.9%
Remittances received (% of GDP) (2020)	24.1%
Economic Freedom Index ⁱⁱ (Rank among 186 countries) (2022)	148
Poverty indicators	
GDP per capita (USD) (2020)	1155.1
Gini Index (0= equality 100= inequality) (2010)	32.8
International poverty rate (2010; at 1.90 USD/day)	15%
National poverty rate (2010)	25.2%
National rural poverty headcount rate (2021)	28%

Figure 1: Nepal Governance Indicators¹
(higher values = more positive)

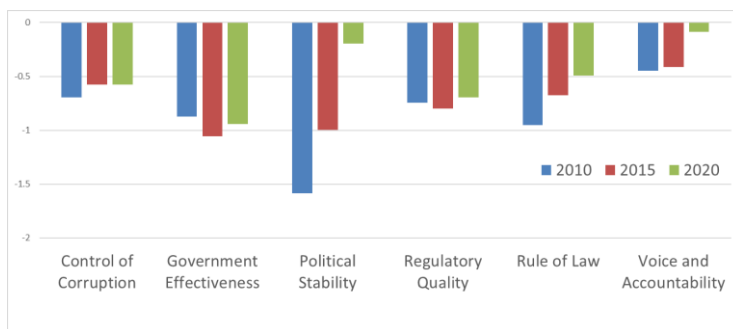
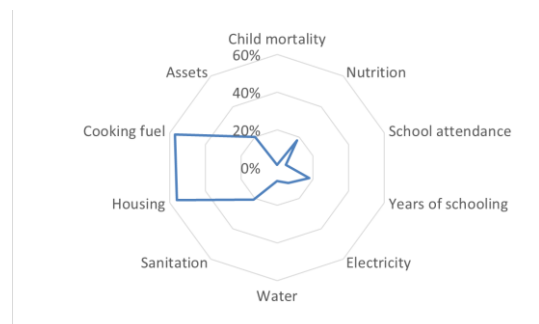


Figure 2: Nepal Poverty Indicators¹
(lower values = more positive)



Financial-sector context

The Nepal Government’s five-year plan (2020-2024) identifies the lack of financial literacy and low use of electronic transactions as “major problems” for the wider financial sector. At the same time, it aims for “the insurance business [to] be expanded to cover all citizens” during the plan term.

Nepal Rastra Bank (NRB), the central bank of Nepal, has statutory power to regulate, supervise and give direction to the banking sector. All insurance companies (life and non-life), distribution channels, and related services fall under the scope of Insurance Board (Beema Samiti).

Currently, there are 19 life and 20 non-life insurance companies in Nepal with paid-up capital of only slightly more than CHF 10M on average per institution. Their primary distribution is via agents.

Partner financial institutions

Four local financial service institutions were involved in conception and execution of the product, distribution, and service for clients plus connecting the parties via technology.

Stonestep Nepal: Technology and primary programme developer

Stonestep Nepal aims to enable vulnerable households to access high-impact insurance via digital/mobile technology and global/regional best practices. Since it was established in 2017, it has delivered programmes in Nepal with digital wallet providers (such as PrabhuPAY, DigiPay and MORU) and e-commerce platforms (such as Telenet Pvt. Ltd.). It currently works with local cooperatives, Practical Action, Shikhar Insurance, and Global Parametrics to pilot index-based flood insurance for smallholder farmers in the Terai region. Stonestep’s role was to assemble the product, price, promotion, and placement elements of the proposition and to establish an efficient tech-enabled workflow connecting all parties for high projected sales volumes at low cost.

Lumbini General Insurance Company Ltd. (LGIC): Insurance provider

LGIC is a growing general insurance company, incorporated and licensed in 2005. LGIC’s objective is to be a market leader by providing global standard services to customers with a wide range of products. It aims to provide: 1) reasonable return to the shareholders; 2) good working conditions to employees, 3) efficient services to customers; 4) sincere social services to society; and 5) economic growth to the nation. LGIC was originally intended to provide Covid-19 insurance but ultimately provided underwriting and capital for group personal accidental insurance and hospitalisation benefit insurance.

Telenet Pvt. Ltd. (TDO Nepal): Telemedicine service provider

TDO Nepal was founded in 2009 to provide telemedicine and related services. It aims to provide hassle-free telemedicine service at a cost every Nepali can afford. For this project, Stonestep contracted TDO to provide 24x7 telemedicine services, discount on TDO lab service, and unlimited access to the TDO health and fitness library.

DigiPay Pvt Ltd. (Digipay): Initial distribution partner

DigiPay is a growing mobile wallet. It received its license in 2020 to become the 21st payment service provider in Nepal. Its role in the project was ultimately performed by Pay Nep Pvt. Ltd (see below).

Prabhu Technology Pvt Ltd. (Prabhu Pay): Intended distribution partner

Prabhu Pay is part of the Prabhu Group which includes a bank, insurer, and other subsidiaries/affiliates. It received its license in 2017 to become one of the first three payment service providers in Nepal. Its role in the project was ultimately performed by Pay Nep Pvt. Ltd (see below).

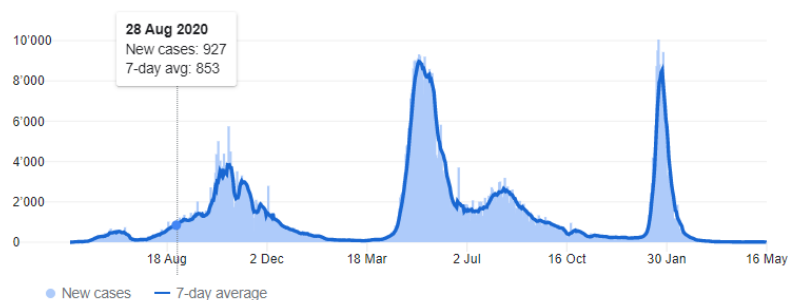
Pay Nep Pvt. Ltd. (MORU): Actual distribution partner

Pay Nep Private Limited is a growing mobile wallet under the brand name “MORU.” It became the sixth payment service provider in Nepal upon receiving its operating license in 2019. Its objective is to create a unified platform that puts financial power in the hands of all Nepalis. The MORU app has over 500K downloads and is widely accepted for payments for services such as mobile top-up, utilities, travel, and others. MORU adapted the UI/UX for its customer journey and performed promotional activities in coordination with Stonestep Nepal.

2. INTERVENTION APPROACH

Capacity building needs

The project was planned during the early phases of Covid-19 based on pre-existing resilience work undertaken by Stonestep Nepal. The project was approved with all contracts executed before the first spike in cases in Nepal.



Technology, product, and workflows had to be quickly adapted and new go-to-market plans prepared in a novel, rapidly-changing environment. The original product – a Covid-19 cover which all insurers were required to offer – was pulled from the market by the government as cases rose and generated excess claims. As a result, the project developed a new product bundle that included hospitalisation, accident, telemedicine, and e-health services.

Main activity areas and outputs

While external forces required adaptations during the project, the overarching goal remained consistent: enroll vulnerable people in health-related insurance via digital channels during a pandemic. The original foreseen activities and outputs were:

- Insurance terms and pricing for a locally approved Covid-19 product
- Telemedicine terms and pricing for a local service offer to complement the insurance product
- Promotion planning and consumer pricing with the selected distribution channel
- Technologies and workflows to connect supply-side parties and consumers
- Training and support of customer-facing personnel
- Project management of all parties through execution

Due to unforeseeable events, the main activities had to be repeated over an extended project timeline within the original budget.

Stay-at-home orders and other disruptions caused by the Covid-19 pandemic affected every household and business. As a result, both Prabhu Pay and DigiPay faced other priorities and could not commit to the pace of the programme. This raised the level of effort for Stonestep until it was decided to focus only on MORU.

The Covid-19 insurance product had been approved and started sales through other channels (but without the telemedicine feature). Brisk sales led to high numbers of claims once the pandemic took hold. The insurance industry (and regulator) withdrew the product from the market just before MORU's launch. As a result, Stonestep prepared multiple alternatives in coordination with all parties before finalising one and adjusting the telemedicine product plus processes/materials.

The revised e-Health product brought to market:

Services and Features	Silver	Gold
Product duration	One month	Three months
Hospitalisation benefit policy (coverage applies to room, board, nursing, etc.)	15 days coverage (NPR 1000 per night)	20 days coverage (NPR 1000 per night)
Hospitalisation insurance sum insured	NPR 15,000	NPR 20,000
Group personal accident insurance sum insured	NPR 100,000	NPR 100,000
Pharmacist assistance on medicine usage	-	During VAS Term
24x7 Tele-medicine doctor consultation	2 times	2 times
Discount on TDO Lab Services	10%	20%
Unlimited access to online health and fitness library	During VAS Term	During VAS Term
Product Price	NPR 175	NPR 350

The primary planned output was to make customer contacts to a total of 50,000 individual prospective customers via various channels. The project exceeded planned inputs invested and outputs produced:

		Planned	Actual
Inputs	Insurance terms/pricing	1x	3x
	Telemedicine terms/pricing	1x	2x
	Outreach preparation	1x	2x
	Project activity timeframe	1x	4X
Outputs	SMS contacts	7,000	7,858
	Outbound telemarketing*	5,000	681
	App notifications	25,000	359,616
	Facebook impressions	13,000	30,622

* Telemarketing efforts were constrained because call center staff were not permitted to leave their homes nor had sufficient technology at home to connect remotely during the Covid-19 lockdowns.

Stonestep had planned to provide capacity building training to at least 15 customer-facing and management staff. Stonestep conducted three training sessions with 17 (15 unique and 2 retrained) customer-facing staff (9 men and 8 women).

3. RESULTS ACHIEVED AND NOT ACHIEVED

The project achieved the core capacity building objective. It installed global best practices in an ecosystem of local market participants, training administrative, functional, and executive teams at multiple companies. One of the key results is that MORU has applied for a corporate agency license. This provides greater flexibility in the future for all partners to reconvene on a new project. MORU additionally credits the project with helping it to build its core user-base:

"The [e-health] offer generated high engagement with prospective and new customers. We attribute at least 5-10% of our new customers to these promotions. They saw us responding to their immediate concerns and achieving results during the lockdowns. It may not have won us all 500,000 new customers but at least 25,000. I have no doubt."

- Anish Poudel, MORU Business Development Officer

While contributing to broader digital financial inclusion, the project fell short of the intended 5,000 insurance unit sales. More than 400K notifications were sent (eight times more than planned) but resulted in only two enrollments.

Client-level

The most detailed client feedback was obtained via outbound telemarketing:

- 914 individuals selected
- 681 reached (74% male and 26% female).
 - All had seen the app notifications
 - 73% also had seen Facebook ads
- 31% of those reached wanted to learn more
 - Including 27% who described the product as well designed and expressed interest to buy

The number of units sold was not high enough to draw conclusions from that data-set.

The low conversion rate – even among customers who complimented the product – is puzzling. The project team speculates that conversions were affected by:

- Income uncertainty during Covid-19 being a greater, more immediate concern over those in the future
- The widely publicised industry withdrawal of the Covid-19 product with large numbers of claims unpaid
- Lockdowns impacting team communications, and slowing and complicating adjustments/processes

Partner financial institution-level

The project successfully developed and implemented new capabilities at four local partner financial institutions.

- Product terms and pricing which received ~8% interest to buy (based on telemarketing interviews)
- Workflows and processes for a services/insurance bundle
- Contracting and project management to execute new product introduction

These capabilities are the cornerstone of developing and launching impact innovations and product introductions.

The project convinced MORU of viability:

"The project established new skills and we see real opportunity here. We have approached the insurance board for corporate agency licensing procedure and are eager to apply to have greater flexibility in the future "

- Anish Poudel, MORU Business Development Officer

The insurer, telemedicine provider, and primary project developer all found positive aspects of the project to reuse when the market conditions are conducive.

Financial sector-level

The Nepal business community is relatively small and the decision by MORU to pursue an agency license can be expected to influence other digital payment channels.

The product novelty and timing appear to have contributed to MORU's strong growth in its user-base. At the outset, MORU had <10K customers, which grew during the project to >500K. No control data of other providers is available to determine what benefit, if any, was due to the product. Potentially, even offering an innovative product for a major concern creates a positive brand "halo" effect for the distributor.

The project generated awareness of a specific offer to a relatively large audience of more than 360K people. Repeated exposure to insurance is required to encourage uptake even in advanced markets – as evidenced by the level of insurer advertising and sponsorship.

The project proved highly efficient while not yet highly effective. If an agent were able to meet a new customer every half hour, more than 300 agents would work an entire year to make as many contacts. Proof that a digital offer could be implemented under challenging conditions can lead to more companies ready to make the effort.

4. LESSONS LEARNT

The project reconfirmed the positive aspects of digital distribution – enabling lower costs and reaching a large numbers of customers. It also highlighted financial inclusion challenges, such as changing market conditions and expressed vs converted customer preference. In total, it established new lasting capacities needed to "dust off and try again."

Bibhu Gautam, the underwriter responsible for Lumbini, observed "Combining insurance with other services and delivering them digitally is still rather new and novel in Nepal. The project sharpened underwriting and other processes for the growing digital sector."

Stonestep TFD Managing Director, Alex Mathews, comments, "The deliverables were essentially what would be required to launch an embedded programme with a giant company like Amazon or Visa in an advanced market – but instead it was in Nepal during a pandemic. Economic resilience and new technical capabilities are critically important to achieve impact in Nepal. While external unforeseeable events drove our project costs by twice the budgeted amount, we know that only repeated execution will ultimately deliver desired results."

- Well-conceived design and capable execution do not guarantee success in new product introduction
- Selling pandemic insurance during a pandemic is not like selling fire extinguishers during a fire, both supply- and demand-sides experience multiple risk priorities simultaneously.
- Virtual training and orientation programmes were sub-optimal for transferring knowledge and creating excitement about the product.
- The withdrawal of the Covid-19 product by the government, with ~CHF150M of unpaid claims, created a long-lasting national news event which demonstrated high interest of the public at large in the industry's action and potentially may have undermined customer confidence.
- eCommerce adoption is still in earlier stages of use which presages increased wallet share.
- Digital efficiency is essential to expand access to critical health services in Nepal.

Recommendations:

- All parties involved in new/innovative projects should budget for the unexpected and reflect that in the plans.
- The primary project implementer should avoid contracting specifics in favour of more flexible documentation (letters of intention etc.) for as long as possible to retain agility and control.
- This approach is worth trying, ideally under better macro-conditions, as evidenced by all project partners signalling intention to try it again in the future applying lessons learned from the project.

ⁱ The World Bank Group (2020). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed (May 11, 2022)

ⁱⁱ Heritage Foundation, (2022) Index of Economic Freedom, <http://www.heritage.org/index/ranking> Accessed (May 11, 2022)

ⁱⁱⁱ World Economic Situation and Prospects 2022, United Nations

^{iv} Study on the Microinsurance Industry in Nepal, Sakchyam Access to Finance 2018

^v The Mobile Money Prevalence Index, GSMA, 2021